

106TH CONGRESS
2nd SESSION

H.R.

IN THE HOUSE OF REPRESENTATIVES

May 25, 2000

MR. LaFALCE introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Consumer Credit Protection Act to enhance the advertising of
the terms and costs of consumer automobile leases, to permit consumer
comparison of advertised lease offerings, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the
United States in Congress assembled,*

SECTION 1. SHORT TITLE.

(a) SHORT TITLE.--This Act may be cited as the "Consumer
Automobile Lease Advertising Improvement Act of 2000".

(b) REFERENCE.--Whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Consumer Credit Protection Act.

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.--The Congress finds the following:

(1) There has been a continuing trend toward leasing of automobiles by consumers as an alternative to installment credit sales, with automobile leases now constituting over one-third of all new automobile transactions.

(2) Current automobile leasing practices do not provide consumers with consistent or adequate information to permit comparison shopping among lease offerings. Important information about lease costs and terms are not available until the consumer visits an automobile dealership, are typically provided only as part of lease negotiations, and often are not fully disclosed until the signing of the lease documents.

(3) Automobile lease advertisements tend to confuse and mislead consumers by highlighting the most attractive terms of leases, by minimizing or omitting additional costs, terms or penalties, and by advertising monthly payment amounts based on lease terms that are different from those customarily offered to or

selected by consumers.

(4) With leases accounting for a large and growing percentage of all new automobile transactions, there is increasing need for automobile manufacturers, automobile dealers and other firms involved in leasing to provide more relevant and easily understood information in advertising and in writing at the auto dealership to permit consumers to evaluate intelligently the attractiveness of leases offered by an automobile dealership, to compare terms of leases offered and advertised by competing dealerships, and to compare the benefits of automobile leases with alternative purchase transactions.

(b) PURPOSE.--The purpose of the amendments made by this Act is to provide consumers with more relevant and easily understood information regarding the terms and costs of lease offerings earlier in the leasing process to permit consumers to compare lease and purchase options and to comparison shop among competing lease opportunities.

SEC. 3. APPLICABLE CONSUMER LEASES.

Section 181(1) of the Consumer Credit Protection Act (15 U.S.C. 1667(1)) is amended--

(1) by striking "\$25,000" and inserting "\$50,000"; and

(2) by adding at the end the following: "The limit on the contractual obligation which comes within such term shall be

adjusted annually based upon the change reported in the Consumer Price Index by the Department of Labor in June of the preceding year."

SEC. 4. GENERAL LEASE ADVERTISING.

(a) AMENDMENTS.--Section 184(a) (15 U.S.C. 1667c) is amended--

(1) by striking "(a)" and inserting "(a)(1)";

(2) by redesignating paragraphs (1) through (5) as subparagraphs (A) through (E), respectively;

(3) by adding at the end the following:

"(2) Identification in a television advertisement of the advertised transaction as a lease, as required by paragraph (1)(A), shall be included in both the audio and video portions of the television advertisement.

"(3) The requirements of this subsection shall apply to all advertisements for a consumer lease, including advertisements on television, radio and videotape; print advertisements in publications, newsletters and fliers; advertisements by toll-free telephone numbers; and advertisements in electronic media, including internet webpages, e-mail, CD-ROMs and interactive computer services."

(b) CONFORMING AMENDMENTS.--Section 184(c) (15 U.S.C. 1667c(c)) is amended by striking "subsection (a)" each time it occurs and

inserting "subsection (a)(1)" and in paragraph (1) by striking "paragraphs (1) and (2)" and inserting "subparagraphs (A) and (B)".

SEC. 5. ADVERTISEMENT FOR AUTOMOBILE LEASE.

Section 184 (15 U.S.C. 1667c) is amended by adding at the end the following:

"(d) ADVERTISEMENT FOR AUTOMOBILE LEASE.--

"(1) IN GENERAL.--An advertisement to promote a lease for an automobile that includes a scheduled lease payment amount that applies only to a single vehicle, or to a limited number of vehicles of the same vehicle make, model and year, shall clearly and conspicuously state that the advertised payment amount applies only to a single vehicle, or shall clearly and conspicuously state the number of vehicles of the same vehicle make and model to be made available for lease at the advertised payment amount.

"(2) LEASE PAYMENT AMOUNTS.--

"(A) An advertisement to promote a lease for an automobile that states a lease payment amount, or must state a lease payment amount under subsection (a)(1)(D), shall calculate such payment amount on the basis of a lease payment formula which the Board shall set forth in regulation and which shall be based on the following information--

"(i) the total capitalized cost of the vehicle

model advertised, which shall not be reduced or adjusted by any down payment amount, capitalized cost reduction, vehicle trade-in amount or other required payment;

"(ii) a lease term of twenty-four (24) months, or such other lease term that the Board may determine in regulation as representative of prevailing industry practice; and

"(iii) a mileage allowance before any excess mileage charge may be imposed of 12,000 miles for each year of the lease term, or such other annual mileage allowance which the Board may determine in regulation as providing a more representative estimate of vehicle use and potential costs to the consumer.

"(B) An advertisement to promote a lease for an automobile that states a lease payment for a vehicle model as provided under subparagraph (A) may state a lease payment amount for the same vehicle model that is different than that required to be stated under subparagraph (A); *Provided, however, that--*

"(i) the lease payment amount is not presented more prominently than the lease payment amount

required to be stated under subparagraph (A); and

"(ii) the advertisement clearly and conspicuously identifies the lease terms or payment amounts that explain the difference between the lease payment amount and the payment amount required to be stated under subparagraph (A).".

SEC. 6. AVAILABILITY OF LEASE INFORMATION.

Section 184 (15 U.S.C. 1667c), as amended by section 6, is amended by adding at the end the following:

"(e) AVAILABILITY OF INFORMATION.—An automobile dealer that engages in any advertising to promote or assist a consumer lease, or that participates in any advertised national or regional promotion for a consumer lease, shall make available to the public, as appropriate and in such format as the Board shall determine in regulation, the following information:

"(1) CUSTOMER INCENTIVES.—A written and dated statement that shall be placed in a conspicuous and prominent location in the dealership that sets out clearly and accurately for each vehicle model offered by the dealer, as applicable, the incentives, special offers or promotions available for the benefit of consumers in conjunction with consumer lease, purchase and installment credit transactions, that shall include--

"(A) special interest rates that are offered by automobile manufacturers, financial institutions and leasing companies;

"(B) special incentives, including cash rebates and vehicle residual percentages that are offered by automobile manufacturers directly to consumers; and

"(C) special incentives and lease terms, including vehicle discounts, residual value percentages and other vehicle promotions that are offered to consumers by the dealer.

"(2) AVAILABLE LEASES.—A written and dated statement for each vehicle model that the dealer makes available for lease to consumers that shall be placed in a conspicuous and prominent location in the dealership, and copies of which shall be made available to individual consumers upon request, that sets out clearly and accurately the following terms applicable to leases for such vehicle models—

“(A) the rebates and other incentives available for consumers;

“(B) the money factor, or lease interest factor, that shall be stated as a decimal number and as an equivalent approximate annual percentage rate; and

“(C) the vehicle residual value, that shall be stated as a percentage of the retail price (MSRP) of such vehicle model.”.

SEC. 7. DEFINITIONS.

Section 184 (15 U.S.C. 1667c), as amended by sections 6 and 7, is further amended by adding at the end the following:

"(f) CLEARLY AND CONSPICUOUSLY.--

"(1) IN GENERAL.--For purposes of this section, the term 'clearly and conspicuously' means--

"(A) in print advertisements, the required disclosures and explanations of lease terms shall appear in a type size, shade, contrast, prominence, and location as to be readily noticeable, readable, and comprehensible to an ordinary consumer;

"(B) in the video portion of television or videotaped advertisements, the required disclosures shall appear on the screen in a type size, shade, contrast, prominence, and location and for a duration as to be readily noticeable, readable, and comprehensible to an ordinary consumer;

"(C) in the audio portion of television, videotaped, and radio advertisements, the required disclosures shall be delivered in a volume, cadence, and location and for a

duration as to be readily noticeable, hearable, and comprehensible to an ordinary consumer; and

"(D) in promotions and advertising in internet webpages, CD-ROMs, or interactive computer services, the required disclosures shall appear in a type size, shade, contrast, prominence, and location as to be readily readable and comprehensible to users and shall be separated from marketing and promotional information and easily accessible under the label or heading 'Important Information for Consumers'.

"(2) LIMITATION.--Nothing contrary to, inconsistent with, or in mitigation of, the required disclosures shall be used in any advertisement in any medium and no audio, video, or print technique shall be used that is likely to obscure or detract significantly from the communication of the disclosures."

SEC. 8. ADMINISTRATIVE ENFORCEMENT.

Chapter 5 of the Consumer Credit Protection Act is further amended by adding the following new section:

"SEC. 187. Administrative Enforcement.

"Compliance with section 184 of this Chapter shall be enforced by the Federal Trade Commission, except to the extent that enforcement of the requirements imposed under such section is

specifically committed to another agency under section 108(a) of this title. For purposes of the exercise by the Commission of its functions and powers under the Federal Trade Commission Act, a violation of section 184 shall be deemed an unfair or deceptive act or practice in violation of that Act. All of the functions of and powers of the Commission under the Federal Trade Commission Act are available to the Commission to enforce compliance by any person with such section, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act, including the power to enforce the provisions of such section in the same manner as if the violation had been a violation of a Federal Trade Commission trade regulation rule."

SEC. 9. REGULATIONS.

The Federal Reserve Board, not later than 6 months after the date of the enactment of this Act, shall issue regulations to implement the amendments made by this Act. The Board shall also issue regulations, together with staff commentary if appropriate, to update and clarify the requirements and definitions for lease disclosures and any other issue relating to consumer leasing to carry out the intent of the amendments made by this Act, to implement any initiative to prevent the circumvention of the amendments made by this Act, and to facilitate compliance with the

requirements in the amendments.